

FISCAL NOTE

HB 155 - SB 486

February 24, 2003

SUMMARY OF BILL: Exempts flat bed trailers used in the nursery or cattle businesses from sales tax by placing them under the definition of farm equipment and machinery.

ESTIMATED FISCAL IMPACT:

Decrease State Revenues - Exceeds \$100,000

Decrease Local Govt. Revenues - Exceeds \$19,000

Estimate assumes:

- There are 50,000 cattle farms and 352 nurseries in Tennessee. Of these, 1% purchase trailers at an average price of \$2,500 each year.
- Total sales are calculated as $50,352 \times 1\% \times \$2500 = \$1,258,800$.
- The state sales tax decrease is calculated as $\$1,258,800 \times 7\% = \$88,116$.
- The state sales tax revenue also decreases because of the 2.75% single article tax on purchases between \$1600 and \$3,200. This tax is applied on \$900 of the \$2500 average purchase price and totals $\$900 \times 50,352 \times 1\% \times 2.75\% = \$12,462.12$.
- There is an average local option cap of \$38.40 on such items.
- The local government sales tax decrease is calculated as $50,352 \times 1\% \times \$38.40 = \$19,335.17$.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director